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2 **UNITED STATES BANKRUPTCY COURT**
3 **EASTERN DISTRICT OF CALIFORNIA**

4 In re:) Case No. 24-21715-C-7
5 12TH & K ST. MALL PARTNERS, LLC,)
6)
7 Debtor.)
8

9 **ORDER**

10 The Movant, Directed Capital Resources, LLC, filed this
11 Motion seeking relief from the automatic stay with respect to the
12 real property commonly known as 1020 12th Street, Sacramento,
13 California. The matter came before the court on June 26, 2024, at
14 10:00 a.m.

15 Movant contends that relief should be granted pursuant to
16 11 U.S.C. § 362(d)(2) because the debtor lacks an equity in the
17 property and it is not necessary for an effective reorganization.

18 The Movant has the burden of proof on the issue of the
19 debtor's equity in the property. 11 U.S.C. § 362(g)(1). The
20 Debtor, as the party opposing relief, has the burden of proof on
21 all other issues. 11 U.S.C. § 362(g)(2).

22 Debt against the property is conceded by the Debtor to be at
23 least \$14,584,000.

24 Movant proffered an appraisal from a certified real estate
25 appraiser opining the value of the property as \$9,200,000.

26 The Debtor contends on the Schedules that the value of the
27 property is \$15,500,000.

28 This Court held a preliminary hearing on May 7, 2024, and

1 continued the motion until June 26, 2024, in order to enable the
2 chapter 7 trustee to evaluate the case and to afford the Debtor
3 an opportunity to produce evidence to support its view of value,
4 to determine whether an effective reorganization (with conversion
5 to chapter 11) might be feasible and to support the other issues
6 as to which it has the burden of proof.

7 The Meeting of Creditors subsequently occurred, after which
8 the Chapter 7 trustee filed a statement of non-opposition to this
9 motion.

10 The final hearing occurred June 26, 2024. No other evidence
11 probative of value was proffered. Nor was there any evidence to
12 support the possibility that an effective reorganization might be
13 feasible.

14 The court is persuaded that Movant has met its burden to
15 demonstrate the debtor lacks an equity. Although there is merit
16 to the Debtor's critique that Movant's \$9,200,000 appraisal is
17 too low because it focuses primarily upon rentals and vacancies
18 experienced in a period in which there was not robust marketing,
19 this Court is persuaded, and so finds, that no appropriate
20 adjustment would support a finding of value of at least the
21 \$14,584,000 that would be needed to discern the "equity in such
22 property" within the meaning of 11 U.S.C. § 362(d)(2)(A). Hence,
23 the Movant has satisfied its burden of proof.

24 Despite the seven-week breathing space afforded to the
25 debtor to attempt to demonstrate a potential for reorganization
26 to satisfy its portion of the burden of proof, it has adduced no
27 such probative evidence. Hence, the Debtor has not satisfied its
28 burden to demonstrate that the property is "necessary to an

1 effective reorganization" within the meaning of 11 U.S.C.

2 § 362(d)(2)(B).

3 It follows that the Debtor lacks an equity in the property
4 and that it is not necessary to an effective reorganization
5 within the meaning of 11 U.S.C. § 362(d)(2).

6 Therefore,

7 **IT IS ORDERED** that the Motion for Relief From Stay is
8 GRANTED.

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10 Dated: June 28, 2024

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United States Bankruptcy Judge

**INSTRUCTIONS TO CLERK OF COURT
SERVICE LIST**

The Clerk of Court is instructed to send the attached document, via the BNC, to the following parties:

12th & K St. Mall Partners, LLC
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